



\$2,000 Crisis CRA Money: Beware of CERB Taxes in 2021!

Description

Canadians are thankful they were not left behind when the global pandemic broke out in 2020. The health crisis isn't over in 2021, so the federal government's temporary income support continues.

However, recipients of the Canada Emergency Response Benefit (CERB) last year shouldn't forget the crisis money are not dole-outs but taxable income. The Canada Revenue Agency (CRA) reminds taxpayers to include them in the tax returns for the income year 2020.

Even the recovery benefits that came after are taxable, although the CRA deducts the 10% withholding tax upfront. The 2021 tax season is quite different than the usual tax season because of CERB and other federal support programs. All CERB recipients are [liable to pay taxes](#) due on any amount received.

Maximum taxable amount

An individual who applied for the entire stretch of 28 weeks could have received the maximum \$14,000 CERB (\$500 per week). If you have no income to report besides CERB, your tax bill is \$41. Since the basic personal amount (BPA) for 2020 is \$13,229, only the excess amount of \$771 is taxable.

The tax bills vary if you have employment or self-employment plus CERB in 2020. Note that tax rates increase as you climb the income tax bracket. The tax rate on CERB to those who earned below \$41,725 in 2020 is 15%. Assuming your employment income was \$18,000 and you received the entire \$14,000 CERB, the approximate tax due for the \$32,000 total income is \$900.

Interest relief

Taxpayers shouldn't feel forlorn if the tax bill due on CERB comes as a surprise. The CRA will automatically apply an interest relief whether you're reporting CERB or recovery benefits like the Canada Recovery Benefit (CRB) or both. You have until April 30, 2020, to pay the taxes owed on the crisis money, with no interest charges.

Lasting income support

The \$14,000 CERB is significant income support. Also, the amount is good enough to earn passive income from dividend stocks. The same amount invested in **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) will produce \$649.60 in extra income. In a Tax-Free Savings Account (TFSA), the earnings are non-taxable.

CIBC is a [generous dividend payer](#). At \$125.89 per share, the bank stock pays a 4.64% dividend. The dividend payments should be safe and sustainable, given the less than 64% payout ratio. Furthermore, Canada's fifth-largest bank has been paying dividends for 153 years.

In the COVID year, CIBC rewarded investors with a 7% total return. Thus far, in 2021, the year-to-date gain is 16%. Analysts covering the bank stock see a potential appreciation of 19% to \$150 in the next 12 months.

Meanwhile, CIBC announced that business owners could still apply for the expanded Canada Emergency Business Account (CEBA) program. The federal government extended the application deadline from March 31 to June 30, 2021.

File your tax returns

The tax season has officially begun on February 22, 2021. There are no tax-filing and tax-payment deadline extensions, so returns must be in not later than April 30, 2021. The CRA encourages taxpayers to file early. Likewise, file your tax returns, even if you don't have the money to pay your tax bills. Non-filers will incur needless expenses like the 5% late-filing penalty, and the CRA could stop other benefit payments.

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Date

2025/08/27

Date Created

2021/03/25

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